

TOGUT, SEGAL & SEGAL LLP  
One Penn Plaza  
Suite 3335  
New York, New York 10119  
(212) 594-5000  
Albert Togut  
Patrick Marecki  
Kyle J. Ortiz

*Co-Counsel to the  
Debtors and Debtors in Possession*

UNITED STATES BANKRUPTCY COURT  
SOUTHERN DISTRICT OF NEW YORK

In re: : Chapter 11  
ARO LIQUIDATION, INC., *et al.*, : Case No. 16-11275 (SHL)  
Debtors.<sup>1</sup> : (Jointly Administered)

**STIPULATION AND ORDER AMONG THE  
DEBTORS AND LF SOURCING (MILLWORK) LLC**

This stipulation and order (the “Stipulation and Order”) is entered into among, ARO Liquidation, Inc. and its subsidiaries, as debtors and debtors in possession in the above-captioned chapter 11 cases (collectively, the “Debtors”), and LF Sourcing (Millwork) LLC (the “Claimant,” and together with the Debtors, the “Parties”):

<sup>1</sup> The Debtors in these chapter 11 cases and the last four digits of each Debtor's federal tax identification number, as applicable, are as follows: ARO Liquidation, Inc. (3880); ARO Liquidation West, Inc. (7013); ARO Liquidation Surf Co., LLC (0461); ARO Liquidation GC Management LLC (4257); ARO Liquidation Procurement Company, Inc. (8518); ARO Liquidation Licensing, Inc. (8124); ARO Liquidation (Kids), Inc. (5900); ARO Liquidation GJ LLC (4923); ARO Liquidation Holdings, Inc. (7729); and ARO Liquidation Puerto Rico, Inc. (6477). The Debtors' corporate headquarters is located at 125 Chubb Avenue, Lyndhurst, NJ 07071.

**WHEREAS**, on May 4, 2016, each of the Debtors commenced with this Court a voluntary case under chapter 11 of the Bankruptcy Code; and

**WHEREAS**, the Debtors have continued to operate their businesses and manage their properties as debtors in possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code; and

**WHEREAS**, the Claimant and Debtor ARO Procurement Company, Inc. entered into an Amended and Restated Master Sourcing Agreement, which was effective as of February 2, 2015 and amended as of December 21, 2015 and April 1, 2016 (the "MSA"), pursuant to which the Claimant agreed to manufacture products for the Debtors; and

**WHEREAS**, ARO Procurement Company, Inc.'s Debtor affiliates: ARO Liquidation Surf Co. LLC, ARO Liquidation West, Inc., ARO Liquidation Licensing, Inc., ARO Liquidation GC, ARO Liquidation Puerto Rico, Inc., ARO Liquidation GJ LLC, ARO Liquidation Holdings, Inc., and ARO Liquidation (Kids), Inc. (collectively, the "Debtor Affiliates") are jointly and severally liable with ARO Procurement Company, Inc. for all obligations under the MSA; and

**WHEREAS**, on September 13, 2016, the Court entered an *Order (I) Approving the Purchase Agreement Among Sellers and Buyer Consortium, (II) Authorizing the Sale of Certain of the Debtors' Assets Free and Clear of Liens, Claims, Interests, and Encumbrances, (III) Authorizing the Assumption and Assignment of Certain Executory Contracts and Leases in Connection Therewith, and (IV) Granting Related Relief* [Docket No. 809] approving the sale of substantially all of the Debtors' assets; and

**WHEREAS**, on July 25, 2016, the Claimant filed Claim No. 1865 (the “Remaining Claim”) against Debtor ARO Procurement Company, Inc. for \$17,652,969.67 comprised of (i) a general unsecured claim in the amount of \$8,140,672.95 (the “Unsecured Claim”); and (ii) a priority claim in the amount of \$9,512,296.72 under section 546(c) of the Bankruptcy Code for goods that were allegedly sold and delivered to the Debtors within 45 days of the Petition Date (the “Asserted Reclamation Claim”) pursuant to the MSA; and

**WHEREAS**, on July 25, 2016, the Claimant also filed the following eight (8) claims against the Debtor Affiliates which are identical to the Remaining Claim (the “Duplicate Claims”):

<b>Claim No.</b>	<b>Debtor</b>	<b>Asserted Amount</b>
1839	ARO Liquidation Surf Co., LLC	\$17,652,969.67
1840	ARO Liquidation West, Inc.	\$17,652,969.67
1844	ARO Liquidation Licensing, Inc.	\$17,652,969.67
1845	ARO Liquidation GC	\$17,652,969.67
1846	ARO Liquidation Puerto Rico, Inc.	\$17,652,969.67
1847	ARO Liquidation GJ LLC	\$17,652,969.67
1848	ARO Liquidation Holdings, Inc.	\$17,652,969.67
1857	ARO Liquidation (Kids), Inc.	\$17,652,969.67

**WHEREAS**, on November 10, 2017, the Debtors filed their *Objection to Proofs of Claim of LF Sourcing (Millwork) LLC [Claim Nos. 1839, 1840, 1844, 1845, 1846, 1847, 1848, 1857, and 1865]* [Docket No. 1504] (the “Objection”) seeking an order (i) disallowing and expunging the Duplicate Claims; and (ii) reclassifying the Asserted Reclamation Claim as a general unsecured claim; and

**WHEREAS**, the Debtors and the Claimant agree (i) that the Debtors are jointly and severally liable for all potential obligations under the MSA, but that, with respect to prepetition claims, the Debtors are only potentially liable for payment of the Remaining Claim, and the Duplicate claims will be listed on the Debtors' official administrative claims registry maintained in these Chapter 11 Cases (the "Claims Registry") in the amount of \$0; (ii) the Debtors will make a one-time payment to the Claimant in the amount of \$10,000 (the "Settlement Amount"); (iii) the Asserted Reclamation Claim will be reclassified as a general unsecured claim (the "Reclassified Claim"); and (iv) the Reclassified Claim and the Unsecured Claim shall be allowed as a general unsecured claim in the amount of \$17,642,969.67, which reflects a \$10,000 reduction on account of the Settlement Amount;

**NOW, THEREFORE, IT IS HEREBY STIPULATED AND AGREED**, the Parties hereto, subject to the Court's approval, agree that:

1. Within thirty (30) days of this Stipulation and Order being approved by the Court as a non-appealable order, the Debtors' shall make a one-time payment to the Claimant in the amount of \$10,000 (the "Settlement Payment").
2. Each of the Debtor Affiliates are jointly and severally liable for the full amount of the Remaining Claim. If the Remaining Claim is not satisfied in full by Debtor ARO Procurement Company, Inc., Claimant shall retain the right to collect the full allowed amount of the Remaining Claim from any and each of the Debtor Affiliates, provided, for the avoidance of doubt, that Claimant's aggregate recovery on account of the Remaining Claim shall not exceed the full allowed amount of the Remaining Claim.

3. The Asserted Reclamation Claim is reclassified as a general unsecured claim in the amount of \$9,502,296.72.

4. The Claimant waives its rights to assert any secured, administrative and/or priority claim against the Debtors in relation to the Remaining Claim and the Duplicate Claims.

5. The Objection is withdrawn with prejudice.

6. The Reclassified Claim and the Unsecured Claim are allowed as a general unsecured claim in the amount of \$17,642,969.67.

7. Upon the date this Stipulation and Order is approved by the Court pursuant to a final, non-appealable order, Prime Clerk LLC, the Debtors' claims and noticing agent appointed in these Chapter 11 Cases, shall be authorized to (i) update the Claims Registry to list each of the Duplicate Claims in the amount of \$0; (ii) indicate that the Asserted Reclamation Claim is reclassified as a general unsecured claim; and (iii) reflect that the Unsecured Claim and Reclassified Claim are allowed in the amount of \$17,642,969.67.

8. Each person who executes this Stipulation represents that he or she is duly authorized to execute this Stipulation on behalf of the Parties hereto.

9. The Parties hereby irrevocably and unconditionally agree that the Court shall retain exclusive jurisdiction to interpret, implement, and enforce the provisions of this Stipulation.

Dated: January 8, 2018  
New York, New York

LF SOURCING (MILLWORK) LLC

ARO LIQUIDATION, INC., *et al.*,

/s/ Robert Schmidt  
KRAMER LEVIN NAFTALIS &  
FRANKEL LLP  
Robert Schmidt  
1177 Avenue of the Americas  
New York, New York 10036  
(212) 715-9527

/s/ Patrick Marecki  
TOGUT, SEGAL & SEGAL LLP  
Albert Togut  
Patrick Marecki  
Kyle J. Ortiz  
One Penn Plaza, Suite 3335  
New York, New York 10119  
(212) 594-5000

**SO ORDERED** this 1st day of **February**, 2018  
in New York, New York

/s/ Sean H. Lane  
HONORABLE SEAN H. LANE  
UNITED STATES BANKRUPTCY JUDGE